

Customer No. 31013  
Atty. Docket No.: 055711/00002

PATENT

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE**  
**BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES**

In re Application of: Morris et al. Confirm. No.: 1214  
Serial No.: 09/607,891 Examiner: H.T. Dass  
Filed: June 30, 2000 Group Art Unit: 3628  
For: **RETIREMENT COMPENSATION AGREEMENT FINANCING  
SYSTEM AND METHOD**

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Commissioner for Patents  
P.O. Box 1450  
Alexandria, VA 22313-1450

**REPLY BRIEF**

Sir:

Appellants submit this Reply Brief in response to the Examiner's Answer mailed December 7, 2006 in the above-referenced patent application under appeal. This Reply Brief is being timely filed within two months from the mailing date of the Examiner's Answer.

A separate Request for Oral Hearing and requisite fee are being filed concurrently herewith.

### **STATUS OF CLAIMS**

Claims 1-20 are pending in this application. Independent claims 1, 7 and 16 and dependent claims 2, 6, 8-14 and 17-19 stand finally rejected under 35 U.S.C. § 103(a) as being obvious over Elizabeth Moore, *Swimming In Funds/Union Funds May Help Bay Shore Aquarium*, NEWSDAY, Nassau and Suffolk Edition, A-08 (July 11, 1997) (hereinafter “Moore”) in view of the Admitted Prior Art (hereinafter the “APA”) and Fillmore W. Galaty et al., MODERN REAL ESTATE PRACTICE, Fifteenth Edition (2000) (hereinafter “Galaty”). Dependent claims 3-5, 15 and 20 stand finally rejected under 35 U.S.C. § 103(a) as being obvious over Moore, the APA, Galaty and further in view of Dian Hymer, *Loan Options: Conforming or Jumbo?*, Mortgage Bankers Association of America (1999) (hereinafter “Hymer”). This is an appeal from the final rejection of claims 1-20.

**GROUNDΣ OF REJECTION TO BE REVIEWED ON APPEAL**

The issues on appeal are (1) whether independent claims 1, 7 and 16 and dependent claims 2, 6, 8-14 and 16-19 are patentable under 35 U.S.C. §103(a) over Moore in view of the APA and Galaty; and (2) whether dependent claims 3-5, 15 and 20 are patentable under 35 U.S.C. §103(a) over Moore, the APA, Galaty and further in view of Hymer. For the reasons set forth hereinafter and in Appellants' Appeal Brief, Appellants respectfully submit that these claims are indeed patentable over the cited references, and that the Examiner has not met the burden of establishing a *prima facie* case of obviousness.

## ARGUMENT

In its Appeal Brief, Appellants explained in detail the complete lack of reasoning to support that the cited references would lead one of ordinary skill in the art at the time the invention was made, with full knowledge of these references, to combine them to successfully and naturally arrive at the claimed invention. *See e.g., In re Kotzab*, 217 F.3d 1365, 1370 (Fed. Cir. 2000); *see also, Rockwell Int'l Corp. v. United States*, 147 F.3d 1358, 1366 (Fed. Cir. 1998); *In re Lueders*, 111 F.3d 1569, 1573-1574 (Fed. Cir. 1997); *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992); *In re Vaeck*, 947 F.2d 488, 493 (Fed. Cir. 1991); *In re Fine*, 837 F.2d 1071, 1074-1075 (Fed. Cir. 1988); *Ex parte Clapp*, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985). The Examiner's Answer does not cure this deficiency. Appellants respectfully submit that critical issues persist with the Examiner's understanding of Appellants' claimed invention, as discussed below, and, as a result, the Examiner still does not appreciate the clear and unequivocal differences between the cited art (whether taken alone or in combination) and the claimed invention. Accordingly, the Examiner has not made a *prima facie* case of obviousness and the pending claims should be allowed.

In particular, the Examiner's Answer clearly demonstrates the complete absence of arguments based on prior art references directed specifically to RCA loans. *See* Examiner's Answer at pp. 9-12. As with previous Office Actions, the Examiner's Answer merely attempts to apply well-known securitization methods to RCA loans without appreciating the difficulties of aggregating and maintaining RCA loans due to their restrictive nature, as explained in the specification and the Appeal Brief. Appellants respectfully reiterate that if the Examiner's approach to combining prior art references were accepted, no applicant would be able to patent

new or improved methods and systems for aggregating and securitizing different types of assets or loans. Such a result is plainly not the law.

With respect to the Examiner's first response to Appellants' arguments at p. 9, ¶ (10)(A), Appellants respectfully submit that the Examiner's contention is clearly erroneous. In particular, merely because Moore teaches aggregating a plurality of loans, such description does not teach or suggest that any method for aggregating and securitizing debt securities in general may be applied against the present claimed invention. As Appellants have previously explained, Moore, at most, describes offering bonds or loans backed by pension funds. *See* Appellants' Appeal Brief at p. 11. This is clearly not analogous to the present claimed invention for aggregating and securitizing a plurality of RCA loans with a life insurance policy and a non-interest bearing refundable tax deposit account, marketing of the debt securities backed by the RCA loans and maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans. Thus, Moore does not teach or suggest the claimed invention.

Furthermore, combining Moore with the APA and the Galaty reference does not overcome the severe deficiencies of Moore -- a point which is completely ignored in the Answer. As previously submitted, due to the significant uncertainties which are reflected in the nature of the RCA loan, the claimed RCA debt security did not exist prior to Appellants' invention. Such uncertainties described in the Specification include, for example, lack of liquidity in the event of a company's default on an RCA loan, potential negative carry due to absence of interest on the refundable tax account, insurance policy failing to perform in accordance with expected values and difficult and/or protracted recovery process from refundable tax account. *See, e.g., Specification* at 23:8-17; 24:25-25:2; 25:10-13; 26:11-21. Because of these uncertainties, the

claimed maintenance of payments of principal and interest on debt securities backed by RCA loans in an event of default of one of the RCA loans needs to be provided for, as described, for example, in the Specification at 22:7-24:14. This results in a completely different type of debt security and a method and system to provide it than that which is described in the APA.<sup>1</sup>

Equally inapposite, Galaty relates to the well-known mortgage-backed securities, which are debt instruments secured by pools of mortgages. *See* Galaty at p. 227. Such mortgage-backed securities, however, fail to teach, or even suggest, the RCA loan-backed securities claimed in the present application. Mortgage-backed securities, which are highly liquid in nature due to the underlying collateral of real estate, would not use the highly illiquid underlying collateral (a combination of an insurance policy and a refundable government tax account) of RCA loan-backed securities. *See infra* and Appellants' Appeal Brief at pp. 12-14. Because the APA and the Galaty reference do not disclose, or even suggest, maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans, combining Moore, the APA and Galaty would not yield the claimed invention. Moreover, it is not even proper to make such a combination because Moore, the APA and Galaty fail to provide any motivation to be so combined.

With respect to the Examiner's second response to Appellants' arguments at p. 9, ¶(10)(B), Appellants respectfully submit that the references cited by the Examiner fail to show all the features of the presently claimed invention. Contrary to the Examiner's contention,

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<sup>1</sup> The APA teaches conventional RCA loans which are created when a company makes a contribution that is divided equally between a refundable tax account and an RCA trust. The RCA trust then purchases a cash value life insurance policy. Once the RCA is established, the RCA trust pledges the insurance policy as well as contractual refund rights to a lender, receives a loan and lends the loan proceeds back to the company. *See* Appellants' Appeal Brief at pp. 3-4, 6. The APA, however, does not disclose maintaining payments of principal and interest on the debt securities in the event of a default of one or more of the plurality of RCA loans.

independent claim 1 does indeed recite a method for securitizing RCA loans, the steps of which comprise:

aggregating a plurality of RCA loans wherein each of the RCA loans is backed by a refundable tax deposit and a life insurance policy;

creating a plurality of debt securities backed by the plurality of RCA loans including maintaining payments of principal and interest on the debt securities in an event of a default of one or more of the plurality of RCA loans; and

selling the plurality of debt securities in an offering.

Thus, appellants are not submitting that the Examiner has failed to provide cited references directed to the preamble of independent claim 1; rather, Appellants respectfully submit that the Examiner has failed to provide cited references to anticipate or render obvious all of the steps recited in the body of independent claim 1. *See supra*.

With respect to the Examiner's third response to Appellants' arguments at p. 9, ¶ (10)(C), it is well established that the Examiner has the initial burden under 35 U.S.C. § 103 of establishing a *prima facie* case of obviousness. *In re Warner et al.*, 379 F.2d 1011, 1017 (CCPA 1967). To do so, the Examiner must satisfy a number of requirements. For example, the prior art relied upon, coupled with the knowledge generally available in the art at the time of the invention, must contain some suggestion or incentive that would have motivated a person of ordinary skill in the art to modify a reference or to combine references. *In re Fine*, 837 F.2d 1071, 1075 (Fed. Cir. 1988); *Ex parte Skinner*, 2 USPQ2d 1788, 1790 (Bd. Pat. App. & Int. 1986). Moreover, a proposed modification of the prior art must have had a reasonable expectation of success, determined from the vantage point of a person of ordinary skill in the art at the time the invention was made. *Amgen, Inc. v. Chugai Pharmaceutical Co., Ltd.*, 927 F.2d 1200, 1207 (Fed. Cir.), *cert. denied*, 502 U.S. 856 (1991). In addition, the prior art reference or

combination of references must teach or suggest all of the limitations of the claims. *In re Wilson*, 424 F.2d 1382, 1385 (CCPA 1970).

As previously explained in prior submissions and Appellants' Appeal Brief, the "motivation" that the Examiner relies upon are merely general statements used to justify improper claim rejections under 35 U.S.C. § 103. While the motivation to combine does not have to be found explicitly in the cited references themselves, Appellants respectfully submit that the Examiner has failed to provide any motivation whatsoever and, thus, has not established a *prima facie* case of obviousness. General, self-serving statements by Examiner are not enough to overcome the fact that the cited references provides no motivation to combine. Further, it would not have been obvious to one of ordinary skill in the art at the time of the invention to apply Moore, the APA and Galaty to reach the presently claimed invention for reasons described above. In addition, there is no reason to combine the cited references as the references relate to different types of debt securities: Moore is concerned with pension-backed securities; the APA is concerned with conventional RCA loans; and Galaty is concerned with mortgage-backed securities. Even if it were proper to combine the cited references, which it is not, the combination of cited references still would not yield the all of limitations of the presently claimed invention -- namely, maintaining payments of principal and interest on the debt securities in the event of default on a RCA loan.

With respect to the Examiner's fourth response to Appellants' arguments at p. 9, ¶ (10)(D), Appellants respectfully submit that the Examiner's contention that Galaty is analogous art with respect to the present claimed invention highlights the Examiner's failure to appreciate the significant differences between the cited references, whether taken alone or in combination, and the presently claimed invention. For example, a general statement that Galaty discloses a

plurality of loans (mortgage loans) which are secured by an insurance policy is not enough to apply Galaxy to the present claimed invention. Indeed, the Examiner fails to specifically address Appellants' arguments that the highly liquid nature of mortgage-backed securities would not be applicable to the highly illiquid nature of the underlying collateral for the claimed RCA loan backed securities (a combination of an insurance policy and a refundable government tax account). *See* Appellants' Appeal Brief at pp. 12-14. This lack of response from the Examiner is telling because, indeed, there is no argument to be made that references relating to mortgage-backed securities would analogously apply to the RCA loan backed securities of the present claimed invention.

With respect to the Examiner's fifth response to Appellants' arguments at p. 9, ¶ (10)(E), Appellants respectfully submit that the present claimed invention does not "flow naturally" from any prior art references because, as noted above, the claimed RCA debt security did not exist prior to Appellants' invention due to, for example, the significant uncertainties which are reflected in the nature of the RCA loan. Because the Examiner has not provided any motivation to combine any cited references, *see supra*, Appellants respectfully submit that the presently claimed invention, which overcomes the difficulties of aggregating and maintaining RCA loans due to their restrictive nature, cannot "flow naturally" from general and unsupported statements regarding well-known securitization methods.

As discussed above and in Appellants' Appeal Brief, it is the Examiner's burden to produce a supportable *prima facie* case of obviousness. *See In re Piasecki*, 745 F.2d 1468, 1472 (Fed. Cir. 1984); *In re Oetiker*, 977 F.2d 1443, 1445 (Fed. Cir. 1992). Even in view of the Examiner's Answer, it is respectfully submitted that the Examiner has not demonstrated a *prima facie* case of obviousness because there simply are not sufficient grounds to show that the cited

references would lead one of ordinary skill in the relevant art at the time the invention was made with full knowledge of the cited references to combine them to successfully and naturally arrive at the claimed invention. See e.g., *In re Fritch*, 972 F.2d 1260, 1265 (Fed. Cir. 1992); *In re Lueders*, 111 F.3d 1569, 1573-1574 (Fed. Cir. 1997); *Ex parte Clapp*, 227 USPQ 972, 973 (Bd. Pat. App. & Inter. 1985). Instead, the Examiner merely provided general arguments for combining the above-cited references to something other than the claimed invention based on a flawed interpretation of the claimed invention. Accordingly, the Examiner has not met his burden of establishing a *prima facie* case of obviousness, and the rejection of claims 1-20 under 35 U.S.C. §103(a) should be reversed.

### CONCLUSION

For the reasons advanced above and in Appellants' Appeal Brief, Appellants respectfully submit that claims 1-2, 6-14, and 16-19 are allowable over Moore, the APA and Galaty. Appellants further submit that claims 3-5 and 15 are allowable over Moore, the APA, Galaty and Hymer. Appellants therefore respectfully request that the rejection of claims 1-20 under 35 U.S.C. §103(a) be reversed.

Respectfully submitted,

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